

bae urban economics

Fiscal Impact Analysis Report for
Proposed Menlo Uptown Project

Prepared for the City of Menlo Park
December 23, 2020

bae urban economics

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Dear Mr. Perata and Mr. Smith:

BAE is pleased to submit this fiscal impact analysis for the proposed Menlo Uptown development in Menlo Park. We hope that this report is helpful in the City's evaluation of the proposed project.

Sincerely,



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EXECUTIVE SUMMARY

The following Fiscal Impact Analysis (FIA) report presents the findings from an evaluation of the fiscal impacts associated with the proposed Menlo Uptown development in Menlo Park (the proposed project). The proposed project would consist of 441 multifamily rental units and 42 townhouse units on a 4.8-acre site.

The FIA addresses the anticipated net increase in revenues and expenditures and resulting net fiscal impact of the proposed project for the:

- City of Menlo Park General Fund,
- Menlo Park Fire Protection District,
- School districts that serve the project area, and
- Other special districts that serve the project area.

Selected FIA findings are summarized in the following table. As shown below, the FIA estimates that the proposed project would result in a modest net negative fiscal impact on the City of Menlo Park’s annual General Fund operating budget, totaling \$247,300, equal to approximately 0.35 percent of the City’s 2019-2020 General Fund operating budget. The proposed project would also generate a net negative fiscal impact to the Menlo Park Fire Protection District, equal to approximately 0.17 percent of the District’s 2019-2020 General Fund operating budget, and the Sequoia Union High School District, equal to approximately 0.65 percent of the District’s 2019/20 Unrestricted General Fund budget. The proposed project would not have a fiscal impact on the Ravenswood School District, which is a non-basic-aid district and therefore receives a varying amount of State aid to offset any changes in per-student property tax revenues.

Selected Net Fiscal Impact Findings for the Project at Buildout

All figures in 2020 dollars

| ANNUAL IMPACTS | City of Menlo Park | Menlo Park Fire Protection District | Sequoia Union High School District | Ravenswood Elementary District |
|--------------------------|---------------------------|--|---|---------------------------------------|
| Project | | | | |
| New Revenues | \$467,593 | \$400,312 | \$460,318 | N/A |
| New Expenditures | <u>(\$714,966)</u> | <u>(\$499,155)</u> | <u>(\$1,258,244)</u> | <u>N/A</u> |
| Net Fiscal Impact | (\$247,373) | (\$98,843) | (\$797,926) | N/A |

The Ravenswood Elementary School District is a non-basic-aid district, and therefore the State offsets changes in per-student property tax revenues by adjusting State funding to the District, resulting in a neutral fiscal impact from the Project.

See report for explanation of Project, methodology, and limiting conditions.

Source: BAE, 2020.

INTRODUCTION

The City of Menlo Park (City) is in the process of evaluating the proposed Menlo Uptown Project (the proposed project) located at 141 Jefferson Drive and 180-186 Constitution Drive in Menlo Park and retained BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) to inform the City's evaluation of the proposed project. Like most new development, the proposed project is expected to increase demands on local government services and infrastructure and generate new revenues for local government through additional taxes and fees. This report provides an analysis of the effects that the proposed project will have on local expenditures and revenues in order to estimate the net fiscal impact that the project would generate. The FIA addresses the fiscal impacts to the City's General Fund as well as impacts to special districts that provide services to residents and businesses in Menlo Park. Except as otherwise noted in the text, the annual ongoing fiscal impact of the proposed project is described in constant 2020 dollars, based on the future point in time when the project would be fully built out and would have achieved stabilized operations.

Project Development Program

The proposed project would include construction of two seven-story multifamily residential buildings and six three-story townhome-style condominium buildings on three parcels located at 141 Jefferson Drive and 180-186 Constitution Drive in Menlo Park. The project site is approximately 4.8 acres in size and currently contains three office and industrial buildings. The existing office and industrial buildings would be demolished as part of the proposed project.

Table 1 summarizes the existing uses on the site and the development program for the proposed project at buildout. The proposed project consists of 483 new residential units including 441 multifamily apartments in two buildings and 42 townhomes. The multifamily buildings would both contain five stories of residential uses above two levels of above-grade structured parking. One of the multifamily buildings would include an approximately 2,940 square-foot commercial space on the ground floor.¹ The townhome buildings would be three stories tall, with living areas on the two upper floors and private garages on the ground floor of each unit.

¹ A particular use for the ground floor commercial space has not yet been identified but could include public-serving commercial uses such as retail, restaurant, personal service, private recreation, and/or other commercial uses permitted in the R-MU-B zoning district.

Table 1: Development Program at Buildout

| | Menlo Uptown Project |
|--|---------------------------------|
| Residential | |
| New Residential Units | 483 |
| Multifamily Apartments | 441 |
| Market-Rate Units | 374 |
| Affordable Units | 67 |
| Townhomes | 42 |
| Market-Rate Units | 36 |
| Affordable Units | 6 |
| New Residential Building Area (sf) | 469,957 |
| Multifamily Apartments | 387,473 |
| Townhomes | 82,484 |
| Commercial | |
| New Commercial Building Area (sf) | 2,940 |
| Retail/Commercial | 2,940 |
| Existing Office/Industrial Building Area (sf) | (110,356) |
| 141 Jefferson | (68,488) |
| 180 Constitution | (30,179) |
| 186 Constitution | (11,689) |
| Net Change in Commercial Building Area (sf) | (107,416) |
| Service Population (a) | |
| New Service Population (a) | 951 |
| New Residents | 947 |
| New Employees | 13 |
| Existing Service Population (a) | (74) |
| Existing Residents | 0 |
| Existing Employees | (221) |
| Net Change in Service Population (a) | 878 |
| Net Change in Residents | 947 |
| Net Change in Employees | (208) |

Note:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced service demand from commercial uses. To estimate service population, each employee is multiplied by 1/3.

Sources: City of Menlo Park; Keyser Marston Associates; BAE, 2020.

Table 1 also includes assumptions about the anticipated resident population, employment, and service population associated with the proposed project. Accepted practice in fiscal impact analysis is to define a City's service population as all residents plus one third of the workers who work within the City. Calculating service population in this way reflects the fact that employees, who generally spend less time in the community than residents, tend to generate a smaller share of demand for services. As shown, the proposed project is anticipated to accommodate 947 new residents and 13 employees at full buildout, or a net increase of 878 service population members after accounting for the existing employment on the site (221 employees).

GENERAL FUND FISCAL IMPACTS

This section of the report summarizes the projected ongoing annual fiscal impacts from the proposed project. The analysis is focused on the City of Menlo Park’s General Fund, as this represents the portion of the City’s budget that finances key public services. To pay for these services, the City’s General Fund is dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local fees and taxes. The following sections detail the scope of the analysis and the underlying methodologies and assumptions used to estimate fiscal impacts from the proposed project.

Fiscal Impact Analysis Methodology

This fiscal impact analysis (FIA) uses a variety of methods to estimate the projected change in City revenues and service costs that would be associated with the proposed project. The cost of providing municipal services is often based on the number of persons served, as are some sources of municipal revenues. In general, as the “service population” increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and supply budgets. Some municipal revenues, such as franchise fees and fines, also generally increase as the service population increases. The analysis therefore relies in large part on an average cost and average revenue approach, based on the City’s current costs and revenues per member of the current service population. This approach is based on the assumption that future development will generate costs and revenues at the same average rate as the existing service population.

As shown in Table 2, the City of Menlo Park’s daytime population consists of 35,072 residents and 32,438 employees, resulting in a service population of 45,885 (100 percent of residents plus one-third of workers). The fiscal impact analysis uses this service population figure to derive current expenditures and revenues per service population member.

Table 2: Current Menlo Park Service Population, 2019

| City of Menlo Park | 2019 |
|-------------------------------|---------------|
| Residents | 35,072 |
| Employees | 32,438 |
| Service Population (a) | 45,885 |

Note:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced service demand from commercial uses. To estimate service population, each employee is multiplied by 1/3.
Sources: Esri Business Analyst; BAE, 2020.

While an average revenue approach is appropriate for some revenue sources, the fiscal analysis presented in this report bases projected revenues from most major sources of revenue on statutory requirements and other factors governing each source of revenue. The projections for property tax, property tax in-lieu of vehicle license fee, and sales tax revenue are based on the specific attributes of the proposed project and factors normally used to allocate revenues from these sources to the City of Menlo Park. Additional methodological details and assumptions are provided in the discussions of individual cost and revenue projections below.

All cost and revenue projections are expressed in constant 2020 dollars at a future point in time when the project would be fully built out.

Projected Annual Revenue Impacts

The following subsections provide an overview of the major City General Fund revenue sources that would be impacted by the proposed project and the estimated revenue that the project would generate from each source. This section also details the assumptions and methodology used to estimate the revenue impacts associated with the proposed project.

Sales Taxes

The proposed project would generate sales tax revenue from new taxable retail spending by residents and employees at City retailers. Taxable transactions that take place in the City of Menlo Park are subject to a 9.25-percent sales tax. This total includes the statutory 1.0-percent Bradley-Burns sales tax, of which 95 percent (i.e., 0.95 percent of the sale price) accrues to the City of Menlo Park while the remaining five percent (i.e., 0.05 percent of the sale price) accrues to San Mateo County. Apart from the City's share of the Bradley-Burns sales tax, all other sales tax revenues from taxable transactions that take place in Menlo Park accrue to other governmental agencies, including the State of California.

The ground floor commercial space in the proposed project would consist of office space to be occupied by a nonprofit tenant, which would not directly generate taxable sales. Therefore, this analysis estimates sales tax revenue from new resident and employee spending but does not include any sales tax from activity that would occur in the commercial space within the project.

Taxable Sales from Resident Spending. According to data from the California Department of Tax and Fee Administration shown in Table 3, annual taxable retail sales averaged \$8,546 per person in Menlo Park and \$14,785 per person in San Mateo and Santa Clara Counties in 2019. Based on these data, this analysis assumes that Santa Clara and San Mateo County residents, including residents of Menlo Park, average approximately \$14,785 per person in annual taxable purchases. An evaluation of sales leakage by category suggests that Menlo Park residents generally leave the City to make at least some purchases in most retail

categories, likely due to the limited availability of goods in the City in these categories. Consistent with the City's capture rates, the analysis assumes that Menlo Park will capture little spending in these high leakage categories. The data also indicate that Menlo Park captures more taxable sales per capita than San Mateo and Santa Clara counties overall in food and beverage and gasoline station categories, suggesting that Menlo Park could theoretically capture 100 percent of resident spending in these categories. However, residents are likely to make some taxable purchases outside of Menlo Park regardless of the availability of these goods and services in the City. To be conservative, the analysis assumes a maximum capture rate of 85 percent of sales in all categories, with a lower capture rate for those categories with an estimated current capture rate under 85 percent. This results in an estimate that new residents will spend approximately \$6,890 per person in taxable expenditures in Menlo Park each year (see Table 3). This amount provides an estimate of annual average taxable expenditures by Menlo Park residents at outlets located in Menlo Park, and is lower than the total taxable sales per capita in Menlo Park because the total City taxable sales figure includes purchases by people who do not live in Menlo Park.

Table 3: Estimated Annual Taxable Expenditures per Resident

| Business Category | 2019 Taxable Sales per Capita (a) | | Sales Leakage (b) | Estimated % of Resident Taxable Sales in City (c) | Estimated New Sales in City (d) |
|---|--|---|--------------------------|--|--|
| | Menlo Park | San Mateo & Santa Clara Counties | | | |
| Retail and Food Services | | | | | |
| Home Furnishings and Appliance Stores | \$636 | \$1,201 | 47% | 53% | \$636 |
| Bldg. Materials, Garden Equip. and Supplies | \$121 | \$1,161 | 90% | 10% | \$121 |
| Food and Beverage Stores | \$1,624 | \$762 | -113% | 85% | \$648 |
| Gasoline Stations | \$1,711 | \$1,282 | -33% | 85% | \$1,090 |
| Clothing and Clothing Accessories Stores | \$335 | \$1,309 | 74% | 26% | \$335 |
| Food Services and Drinking Places | \$2,505 | \$2,877 | 13% | 85% | \$2,446 |
| Other Retail | \$1,614 | \$6,193 | 74% | 26% | \$1,614 |
| Total (e) | \$8,546 | \$14,785 | | | \$6,890 |

Notes:

(a) 2019 data inflated to 2020 dollars. Population estimates per the California Department of Finance:

Menlo Park: 35,454

San Mateo County: 774,231

Santa Clara County: 1,954,833

(b) Retail spending for Menlo Park residents is assumed to be equal to per capita spending patterns for the two counties. If Menlo Park residents spend fewer dollars per capita than in San Mateo and Santa Clara Counties, the analysis assumes the difference leaks out to other shopping centers in the two counties. A zero percent leakage indicates that residents can get all shopping needs met in Menlo Park. Negative figures indicate that Menlo Park receives a net injection, i.e. more sales than are likely attributable to just Menlo Park residents.

(c) Based on data in column (b); estimates the percentage of resident spending within a category that will occur in Menlo Park. While zero percent or negative leakage indicates residents could meet their shopping needs within the City, shoppers are still likely to seek goods and services outside Menlo Park. To be conservative, the maximum capture has been estimated at 85 percent of sales.

(d) Equals (Taxable Sales per Capita in San Mateo & Santa Clara Counties) x (Estimated % of Resident Sales in City). Assumes that Menlo Park will capture most of new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories, based on current spending patterns, and assumes that the mix of retail offerings in Menlo Park remains relatively consistent.

(e) Total does not include taxable sales in the category classified as "All Other Outlets", as these taxable sales consist primarily of business-to-business sales taxes that would not be impacted by resident population growth.

Sources: CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2020.

Taxable Sales from Worker Spending. To estimate taxable expenditures made by workers, this analysis uses data from the International Council of Shopping Centers (ICSC) survey of office worker spending. The ICSC survey provides estimates of worker spending near work by store category, including both taxable and non-taxable purchases. The taxable expenditure estimate used in this analysis reflects adjustments to the ICSC survey findings to remove a portion of spending at drug and grocery stores, most of which is typically not subject to sales tax under California State law, as well as all spending on services and entertainment, which is generally not taxable. The analysis makes a conservative assumption that Menlo Park will capture one-half of the estimated total annual worker spending on taxable purchases. This results in an estimate that workers in Menlo Park spend an average of approximately \$3,062 per year on taxable purchases in Menlo Park.

Net Change in General Fund Sales Tax Revenue from Resident and Worker Spending. Table 4 shows the estimated net change in total taxable sales from resident and worker spending in Menlo Park that would be attributable to the proposed project. As shown, new residents in the project would collectively spend approximately \$6.5 million per year on taxable purchases in Menlo Park. Annual taxable expenditures among workers would decrease by approximately \$636,900 due to the net loss in on-site employment following buildout of the project. Based on the resulting net change in annual taxable sales in Menlo Park (approximately \$5.9 million) and the City's share of sales tax revenue, annual General Fund sales tax revenue would increase by approximately \$55,900 at buildout of the project.

Table 4: Projected Net Change in Annual General Fund Sales Tax Revenue from Resident and Worker Spending at Buildout

| | Menlo Uptown Project |
|---|---------------------------------|
| Resident Spending | |
| Net Change in Residents | 947 |
| Per Capita Taxable Sales in Menlo Park (a) | \$6,890 |
| Net Change in Annual Taxable Resident Spending | \$6,524,556 |
| Worker Spending | |
| Net Change in Workers | (208) |
| Taxable Sales in Menlo Park per Worker (b) | \$3,062 |
| Net Change in Annual Taxable Worker Spending | (\$636,896) |
| Annual Sales Tax Revenue | |
| Net Change in Annual Citywide Taxable Sales | \$5,887,660 |
| Menlo Park Share of Sales Tax Receipts | 0.95% |
| Net Change in General Fund Sales Tax Revenue | \$55,933 |

Notes:

(a) See Table 3.

(b) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates were adjusted to 2020 dollars and adjusted to remove non-taxable spending on services and entertainment as well as a portion of spending at drug and grocery stores. Figures assume that retail establishments in Menlo Park will capture 50 percent of total new employee spending.

Sources: ICSC, 2012; CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2020.

Property Taxes

The property taxes that accrue to a City are a function of the assessed value of real property and the City’s share of the property tax collected for each parcel. Property in California is subject to a base 1.0 percent property tax rate, which is shared among local jurisdictions including the County, City, and special districts. The State requires that a portion of property tax revenues also be allocated to countywide Education Revenue Augmentation Funds (“ERAF”) to offset state expenditures on local public schools. In addition to the base 1.0 percent tax rate, additional taxes and special assessments apply to most properties to pay for local voter-approved debt or other special purposes. These additional taxes and charges vary by location and are restricted for specific uses. This analysis evaluates impacts to the City’s General Fund operating budget, which receives a share of the base 1.0 percent property tax but does not receive revenue from additional taxes and special assessments.

The share of property tax that is allocated to each taxing jurisdiction is based on the Tax Rate Area (TRA) where a property is located. Table 5 shows the effective distribution of the base 1.0 percent property tax to the taxing jurisdictions in the TRA where the project site is located after accounting for estimated ERAF reductions. As shown, the City receives 8.5 percent of the base 1.0 percent tax, with the remainder going to various other taxing jurisdictions.

Table 5: Distribution of Base 1% Property Tax Revenue, TRA 08-063

| Jurisdiction | Pre-ERAF | ERAF | Effective |
|---|---------------------|------------------|---------------------|
| | Distribution | Shift (a) | Distribution |
| City of Menlo Park | 10.1% | 16.3% | 8.5% |
| County of San Mateo | 19.9% | 40.0% | 12.0% |
| Ravenswood Elementary School District | 32.7% | 0.0% | 32.7% |
| Sequoia Union High School District | 13.1% | 0.0% | 13.1% |
| San Mateo Community College District | 5.7% | 0.0% | 5.7% |
| Menlo Park Fire District | 13.3% | 11.0% | 11.8% |
| Midpeninsula Regional Open Space District | 1.5% | 0.0% | 1.5% |
| Bay Area Air Quality Management | 0.2% | 0.0% | 0.2% |
| County Harbor District | 0.3% | 22.4% | 0.2% |
| San Mateo Co. Mosquito & Vector Control Dist. | 0.2% | 15.9% | 0.1% |
| County Office of Education | 3.0% | 0.0% | 3.0% |
| ERAF | <u>0.0%</u> | | <u>11.2%</u> |
| | 100.0% | | 100.0% |

Note:

(a) Represents the percentage reduction in property taxes to each jurisdiction to fund ERAF, based on FY 2019-20 figures provided by the San Mateo County Controller's Office.

Sources: San Mateo County Controller; BAE, 2020.

As shown in Table 6, the current assessed value of the project site totals approximately \$12.2 million according to the San Mateo County Treasurer-Tax Collector.

Table 6: Current (2019) Assessed Value of Project Site

| Parcel | 2019 Assessed Value | | |
|---------------------------|----------------------------|---------------------|---------------------|
| | Land | Improvements | Total |
| 055-242-140 | \$5,206,539 | \$3,246,429 | \$8,452,968 |
| 055-242-030 | \$795,290 | \$765,208 | \$1,560,498 |
| 055-242-040 | \$1,470,076 | \$735,034 | \$2,205,110 |
| Total Project Site | \$7,471,905 | \$4,746,671 | \$12,218,576 |

Sources: San Mateo County Tax Collector; BAE, 2020.

To estimate future property tax revenues resulting from the proposed project, this analysis estimates the new assessed value the County assessor would assign to the property and then applies the applicable tax rate. In California, Proposition 13 provides that the assessed value of land and improvements cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case the County re-assesses the property at the current market value; or for construction of new improvements, in which case the County re-assesses the property by the value of the construction. The County Assessor bases the assessed value of new improvements on: 1) the construction cost of new improvements, 2) the income value of the property and/or 3) the sale price of recently-sold, comparable properties. The Assessor may use one, two, or all three of these methods to assign an assessed improvement value to a project following construction.

The project applicant intends to purchase all three existing parcels prior to proceeding with the proposed. As part of the proposed project, the applicant is proposing a lot line adjustment that would locate the two apartment buildings on separate parcels and all of the townhome

buildings on a single parcel. To estimate the new assessed land value of the two multifamily parcels, this analysis uses an average land sale price of \$13.2 million per acre, which is the market value of the site at the bonus level development as estimated in the Community Amenities Appraisal Report prepared by Fabbro, Moore & Associates, Inc. To estimate the assessed value of the new improvements, this analysis uses the estimated construction costs for the proposed project, which typically leads to a conservative estimate of assessed value compared to the other two approaches that the County Assessor might use. As shown in Table 7 below, the analysis assumes that construction costs for the multifamily buildings will total an estimated \$245.2 million. For the purposes of estimating the assessed value of the townhome parcel, it was assumed that the townhome units would all be individually sold at the average sale prices provided in the Draft Housing Needs Assessment prepared by Keyser Marston Associates. The total estimated assessed value of the townhome parcel is based on the total assessed value after all homes have been sold and is summarized in Table 7.

Table 7: Assessed Value Estimates

| Construction Costs (Hard and Soft Costs) | | Menlo Uptown Project | |
|---|----------------------|-----------------------------|----------------------|
| | | Quantity | Total Costs |
| Site Improvements | \$40 per site sf (a) | 120,150 | \$4,806,000 |
| Multifamily Apartments | \$520 per sf | 387,473 | \$201,485,960 |
| Retail/Commercial Shell | \$550 per sf | 2,940 | \$1,617,000 |
| Retail/Commercial TI | \$155 per sf | 2,940 | \$455,700 |
| Podium Parking (b) | \$72,000 per space | 512 | <u>\$36,864,000</u> |
| Total Assessed Value of Multifamily Improvements | | | \$245,228,660 |
| Townhome Sale Prices | | | |
| Market Rate Units (c) | \$1,441,667 per unit | 36 | \$51,900,000 |
| BMR Units (d) | \$451,667 per unit | 6 | <u>\$2,710,000</u> |
| Total Assessed Value of Townhomes | | | \$54,610,000 |

Notes:

(a) Site area of multifamily parcels.

(b) The podium parking costs shown in this table are based on standard costs for a podium garage with no mechanized parking system. The Project sponsor has indicated that an automated parking system would be utilized within the proposed apartment building garage to minimize the amount of space needed to meet parking requirements. Since the parking layout of the apartment building garage is still being determined, the costs of automated parking were not estimated as part of this FIA.

(c) Weighted average sales price of market rate units based on the Draft Menlo Uptown Project Housing Needs Assessment prepared by Keyser Marston Associates.

(d) Weighted average sales price for BMR units based on 2020 income limits for applicable household sizes.

Sources: City of Menlo Park; Keyser Marston Associates; BAE, 2020.

The total estimated assessed value of the proposed project is shown in Table 8 and includes the assessed land value of the multifamily parcels, the assessed value of the multifamily improvements, the total assessed value of the townhomes after all homes have been sold. The multifamily parcels would have an estimated total assessed value of approximately \$282 million, including both land and improvements. After all of the townhome units are constructed and individually sold, the townhome parcel would have an estimated total

assessed value of approximately \$55 million. Combined, all three parcels would have an estimated total assessed value of approximately \$336 million at buildout.

Table 8: Projected Total Assessed Value of Project Site at Buildout

| Assessed Value | Menlo Uptown Project |
|---|---------------------------------|
| Multifamily Parcels | |
| Projected Assessed Value of Improvements (a) | \$245,228,660 |
| Projected Assessed Value of Land (b) | <u>\$36,409,091</u> |
| Total Projected Assessed Value of Multifamily Parcels | \$281,637,751 |
| Townhome Parcel | |
| Total Projected Assessed Value of Townhome Parcel (c) | \$54,610,000 |
| Total Assessed Value of Project Site at Buildout | \$336,247,751 |
| Assumptions | |
| Estimated Land Sale Price per Acre (b) | \$13,200,000 |

Notes:

- (a) Equal to the multifamily improvements costs shown in Table 7.
 - (b) The assessed land value estimate for the multifamily parcels shown in this table is based on the estimated land sale price of the property. The Project applicant intends to purchase the site before beginning construction on the improvements, triggering a reassessment of the land value to market value. It is assumed that the assessor will add the value of the new multifamily improvements to this land value to determine the full assessed value of the multifamily parcels after the Project is completed. The assumed land sale price per acre is consistent with the Community Amenities Appraisal Report prepared by Fabbro, Moore & Associates, Inc.
 - (c) It is assumed that the townhome units would be individually sold at the average sales prices shown in Table 7. The assessed value of the townhome parcel is based on the total value after all homes have been sold.
- Sources: Fabbro, Moore & Associates, Inc.; BAE, 2020.

As shown in Table 9, the proposed project’s total assessed value of approximately \$336 million represents an increase of approximately \$324 million over the current assessed value of the project site. Based on the City’s share of the base 1.0 percent property tax in the TRA in which the project site is located (8.5 percent), this increase in assessed value would result in a net increase of approximately \$274,200 in annual General Fund property tax revenue from the project at buildout.

Table 9: Projected Change in Annual Property Tax Revenue at Buildout

| | Menlo Uptown Project |
|--|---------------------------------|
| Assessed Value | |
| Total Projected Assessed Value of Project Site at Buildout | \$336,247,751 |
| Less: Current (2019) Assessed Value of Project Site | (\$12,218,576) |
| Net Change in Assessed Value at Buildout | \$324,029,175 |
| Annual Property Tax Revenue | |
| Base 1% Property Tax Revenue | \$3,240,292 |
| Menlo Park Share of Base 1% Property Tax (a) | 8.5% |
| Net Change in City Property Tax Revenue | \$274,224 |

Note:

(a) This is the City's share of the base 1.0 percent property tax in the TRA where the Project site is located (TRA 08-063), after accounting for ERAF.

Sources: San Mateo County Controller; BAE, 2020.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in FY 2005-2006, the State ceased to provide “backfill” funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through FY 2004-2005. As a result of the financial restructuring enacted as part of the State’s budget balancing process, counties and cities now receive revenues from the State in the form of what is known as property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city’s total assessed valuation. In FY 2005-2006, former VLF revenues were swapped for ILVLF revenues, which set the local jurisdiction’s ILVLF “base.” The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would increase by five percent.

As shown in Table 10, in fiscal year 2019-20 the City received approximately \$4.8 million in property tax ILVLF revenue. This amounts to approximately \$0.23 per \$1,000 in assessed value. Since the proposed project would increase the City’s total assessed value by approximately \$324 million, annual ILVLF revenues would increase by approximately \$74,500.

Table 10: Projected Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Assessed Value at Buildout | \$324,029,175 |
| Net Change in ILVLF Revenue | \$74,479 |
| Assumptions | |
| Total Taxable Assessed Value, FY 19-20 | \$20,790,416,078 |
| FY 19-20 ILVLF Payment | \$4,778,757 |
| ILVLF Revenue per \$1,000 in Assessed Value | \$0.23 |

Sources: City of Menlo Park; San Mateo County Controller’s Office; BAE, 2020.

Business License Tax

Business license fees are charged to businesses operating in the City at varying rates based on business types. The City charges administrative offices based on the number of employees at the business, with fees ranging from \$50 per year for businesses with five employees or less to \$1,250 per year for businesses with over 200 employees. Most businesses, including retail outlets and rental apartments, are charged based on annual gross receipts, ranging from \$50 per year for businesses with annual gross receipts of \$25,000 or less to a cap of \$8,000 per site per year.²

To estimate business license tax revenues for the proposed rental apartments, BAE estimated total annual gross receipts based on 2020 maximum rents for BMR units and the market rate rents provided in the Draft Housing Needs Assessment for the proposed project. Annual business license taxes for the office tenants were estimated based on the anticipated number of new employees in each office-based establishment. Based on these assumptions shown in Table 11, the proposed project would result in a net decrease of approximately \$2,700 in annual business license tax revenue after accounting for historical business license tax revenues generated on the site.

Table 11: Projected Change in Annual Business License Tax Revenue at Buildout

| | Menlo Uptown Project |
|--|---------------------------------|
| New Business License Tax Revenue | \$5,150 |
| Rental Apartments | \$4,750 |
| Office | \$400 |
| Existing Business License Tax Revenue | (\$7,845) |
| Net Change in Annual Business License Tax Revenue | (\$2,695) |
| Assumptions | |
| New Business License Tax Revenue - Rental Apartments | |
| Number of New Rental Units | 441 |
| Weighted Average Monthly Rent per Unit (a) | \$3,303 |
| Number of Residential (Tenant) Parking Spaces | 441 |
| Monthly Parking Rent per Space | \$125 |
| Vacancy Adjustment | 5% |
| Estimated Total Annual Gross Receipts from Rental Apartments | \$17,234,030 |
| Total Annual Business License Tax Revenue from Apartments | \$4,750 |
| New Business License Tax Revenue - Office | |
| Number of New Office Establishments | 2 |
| Average Number of Employees per Establishment | 7 |
| Annual Business License Tax Revenue per Establishment | \$200 |

Note:

(a) Based on 2020 maximum rents for BMR units and market rate rents estimated by KMA in the July 2020 Draft Housing Needs Assessment for the proposed Project. Sources: City of Menlo Park; Keyser Marston Associates; BAE, 2020.

² Menlo Park Municipal Code section 5.12.020.

Utility Users Tax

The City currently collects a Utility User Tax (UUT) at a rate of one percent, assessed on gas, electric, water, wireless, cable, and telephone bills. For business entities with more than \$1.2 million in annual combined electric, gas and water bills, the City Council has established a maximum combined electric, gas, and water UUT payment of \$12,000 (i.e., one percent of \$1.2 million) per year. According to City staff, it is not likely that any entity that would occupy the project would have utility expenditures in excess of \$1.2 million. Hence, all utility expenditures generated by the proposed project would be taxed at the normal rate of one percent of expenditures.

Table 12: Per Capita and Per Employee Utility User Tax Revenues, FY 2019-20

| UUT Revenue | FY 2019-20 Adopted Budget | Estimated Share of Total Taxable Utility Charges (a) | | UUT Revenue per Resident | UUT Revenue per Employee |
|---------------------------------|---------------------------------|---|------------|-----------------------------|-----------------------------|
| | | Residential | Commercial | | |
| Electric Utility Users Tax | \$501,000 | 25% | 75% | \$3.56 | \$11.59 |
| Water Utility Users Tax | \$153,000 | 72% | 28% | \$3.15 | \$1.31 |
| Gas Utility Users Tax | \$128,000 | 61% | 39% | \$2.23 | \$1.53 |
| Wireless Svcs Utility Users Tax | \$163,000 | 40% | 60% | \$1.86 | \$3.01 |
| Telephone Utility Users Tax | \$149,000 | 40% | 60% | \$1.70 | \$2.75 |
| Cable Utility Users Tax | \$93,000 | 90% | 10% | \$2.39 | \$0.29 |
| Total | \$1,187,000 | | | \$14.90 | \$20.49 |

Note:

(a) The split between residential and commercial is based information provided by the City for the 2011-12 fiscal year, the most recent year for which this information is available.

Sources: City of Menlo Park; BAE, 2020.

To estimate UUT revenue from the proposed project, BAE utilized historical data provided by utility service providers for the 2011-2012 fiscal year, which was the most recent year for which this information was available. The historical data reflect typical utility usage patterns of residential and commercial utility consumers in Menlo Park. BAE utilized this data to estimate UUT revenues per resident and per employee based on the projected revenues in the FY 2019-20 Adopted Budget (see Table 12). As shown in Table 12, based on typical current utility usage, the proposed project would result in a net increase in annual UUT revenues of approximately \$9,800 at buildout.

It is important to note that the proposed project would be required to use electricity as the only source of energy for all appliances used for space heating, water heating, cooking, and other activities, consistent with the City's reach code ordinance approved in September 2019. Since it is unclear how reach code requirements will ultimately impact how much UUT revenue is generated on-site, this analysis assumes that increases in electricity expenditures due to these requirements would be comparable to the resulting decrease in gas expenditures. Actual UUT revenue generated by the project would depend on a number of factors, including the extent to which reach code ordinance requirements impact energy usage patterns of residential and commercial consumers on-site.

Table 13: Projected Change in Annual Utility User Tax Revenue at Buildout

| | <u>Menlo Uptown Project</u> |
|--|---------------------------------|
| Residential Uses | |
| Net New Residents | 947 |
| UUT Revenue per Resident | \$14.90 |
| Net Change in UUT Revenue from Residential Uses | \$14,108 |
| Commercial Uses | |
| Net New Employees | (208) |
| UUT Revenue per Employee | \$20.49 |
| Net Change in UUT Revenue from Commercial Uses | (\$4,261) |
| Total Net Change in General Fund UUT Revenue | \$9,848 |

Sources: City of Menlo Park, BAE, 2020.

Other Revenues

According to the FY 2019-20 Adopted Budget, the City generates approximately three percent of General Fund revenues from franchise fees and one percent of General Fund revenues from fines. Both of these revenue sources tend to increase as the City's service population grows. Franchise fees are generally set as a percentage of gross receipts and increase as expenditures on utilities, such as gas and electricity, increase. Fine revenues are primarily collected by the Police Department for parking and traffic citations and would be expected to increase as the residential base of the City grows. As shown in Table 14, General Fund revenues from franchise fees and fines in FY 2019-20 totaled approximately \$2.9 million, or \$64.58 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the proposed project would generate additional franchise fee and fines revenues of approximately \$55,800 per year at buildout.

Table 14: Projected Change in Annual Franchise Fee and Fines Revenues at Buildout

| | <u>Menlo Uptown Project</u> |
|--|---------------------------------|
| Net Change in Service Population | 878 |
| Franchise Fee and Fines Revenue per Service Population | \$63.58 |
| Net Change in Franchise Fee and Fines Revenue | \$55,804 |
| Assumptions | |
| | FY 2019-20 (a) |
| Franchise Fee Revenue | \$2,067,466 |
| Fines Revenue | \$850,000 |
| Total Franchise Fee and Fines Revenue | \$2,917,466 |
| Current (2019) Citywide Service Population (b) | 45,885 |
| Revenue Per Service Population | \$63.58 |

Notes:

(a) Revenues based on the FY 2019-20 Adopted Budget.

(b) Service population is defined as all residents plus one-third of employment.

Sources: City of Menlo Park; BAE, 2020.

Summary of Annually Recurring General Fund Revenues

As shown in Table 15, the proposed project would result in a net increase of approximately \$467,600 in annual General Fund revenues to the City of Menlo Park at buildout. Most (approximately three quarters) of these revenues would be from property tax and property tax in lieu of vehicle license fees. Revenues from sales tax, franchise fees, and fines would make up approximately one quarter of the total.

Table 15: Summary of Net Change in Annual General Fund Revenues at Buildout

| General Fund Revenues | Menlo Uptown Project | |
|------------------------------|-----------------------------|-------------------------|
| | Annual Revenue | Percent of Total |
| Property Tax | \$274,224 | 58.6% |
| ILVLF | \$74,479 | 15.9% |
| Sales Tax | \$55,933 | 12.0% |
| Franchise Fees and Fines | \$55,804 | 11.9% |
| Utility Users Tax | \$9,848 | 2.1% |
| Business License Tax | (\$2,695) | -0.6% |
| Total Revenues | \$467,593 | 100.0% |

Source: BAE, 2020.

One-Time/Non-Recurring Revenue Impacts

The City and some special districts collect impact fees and capital facilities charges for public services such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees are established pursuant to State law, and represent a one-time revenue source from a project, intended to offset impacts to infrastructure systems that are generated by new development. Based on impact fee rates as of FY 2019-20, the Project would generate approximately \$4.9 million in impact fees to the City of Menlo Park, as shown in Table 16. Impact fees to Sequoia Union High School District would total approximately \$909,400 while fees to Redwood City Elementary School District would total approximately \$806,000.

Table 16: Impact Fees from the Project

| FY 2019-20 Impact Fees | Rate | Unit | Project | |
|---|-------------|-----------------------|-----------------|--------------------|
| | | | Quantity | Total Fees |
| Transportation | | | | |
| Office | \$17.60 | per net sf | (77,237) | (\$1,359,371) |
| Warehousing | \$2.91 | per net sf | (30,179) | (\$87,821) |
| Multi-Family Residential | \$5,108.02 | per unit | 483 | \$2,467,174 |
| Total | | | | \$1,019,982 |
| Storm Drainage Fees | | | | |
| Multifamily | \$150 | per unit | (a) | (a) |
| Commercial | \$0.24 | per sf imperv. | (a) | (a) |
| Recreation In-Lieu Fees (b) | | | | |
| Multiple Family Development | \$80,000 | per unit | 42 | \$3,360,000 |
| Construction Street Impact Fee (c) | 0.58% | of construction value | \$81,850,729 | \$474,734 |
| Total City of Menlo Park Impact Fees | | | | \$4,854,716 |
| Sequoia Union High School Dist. | | | | |
| Residential | \$2.01 | per net sf | 469,957 | \$944,614 |
| Commercial | \$0.33 | per net sf | (107,416) | (\$35,232) |
| Total | | | | \$909,381 |
| Ravenswood Elementary School Dist. | | | | |
| Residential | \$1.78 | per net sf | 469,957 | \$836,523 |
| Commercial | \$0.28 | per net sf | (107,416) | (\$30,291) |
| Total | | | | \$806,232 |

Notes:

(a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. According to the Initial Study prepared by LSA, the Project would result in a net decrease in impervious surface coverage.

(b) Recreation in-lieu fee for multi-family units = 0.008 x the number of units x the land value per acre of the development generating the fee. Impact fee calculations use a \$10 million per acre land value, based on BAE review of recent land sales for townhome projects. Fee is charged only on projects that include a subdivision map, and therefore would not apply to the multifamily rental units included in the Project.

(c) Construction value based on ICC Building Valuation Data (BVD) - February 2020.

Sources: City of Menlo Park; Sequoia Union School District; LSA; BAE, 2020.

Projected Annual Service Cost Impacts

The City's General Fund expenditures generally increase as the service population increases, with some exceptions for General Fund expenditures that tend to be relatively fixed and do not change based on changes in the service population. To estimate the costs that would likely increase as the service population increases, BAE analyzed the City's budgeted General Fund expenditures from the 2019/2020 Fiscal Year budget, as shown in the City's OpenGov portal. This analysis focused on expenditures for the Human Resources, Library and Community Services, Public Works, and Police Departments, as these departments are most likely to experience increases in demand for services that are financed using the General Fund as the City's service population increases.

Adjustments were made to deduct the portion of costs that would not be expected to be impacted by the proposed project. The adjustments account for fixed personnel costs for

certain executive positions, such as department heads and the Chief of Police, as well as costs for three non-personnel expenditure categories that are not expected to be impacted by the proposed project (fixed assets and capital outlay, utilities, and most special projects). The analysis also accounts for the charges for service and other department revenues that offset variable costs in each department. Table 17 shows the resulting estimated variable costs, net of these adjustments and offsetting revenues.

Table 17: Current City of Menlo Park Annual General Fund Operating Expenditures, FY 2019-20

| Department/Division | FY 2019-20 Adopted Budget General Fund Expenditures | Less: Executive Salary and Benefits (a) | Less: Fixed Assets and Capital Outlay, Utilities, and Special Projects (b) | Less: Charges for Service and Other Offsetting Revenues (c) | Net Variable General Fund Expenditures |
|--|--|--|---|--|---|
| Human Resources | \$1,866,127 | (\$120,692) | (\$8,487) | \$0 | \$1,736,948 |
| Library and Community Svcs | \$14,135,406 | (\$540,820) | (\$701,285) | (\$5,209,100) | \$7,684,201 |
| Police | \$21,128,633 | (\$349,393) | (\$251,169) | (\$2,796,100) | \$17,731,971 |
| Public Works | \$13,370,660 | (\$279,430) | (\$1,213,610) | (\$1,652,100) | \$10,225,520 |
| Total Expenditures (Impacted Departments) | \$50,500,826 | (\$1,290,335) | (\$2,174,551) | (\$9,657,300) | \$37,378,640 |

Notes:

(a) Salary and benefits costs for department heads and administrative division heads are considered fixed costs that are not expected to increase with new development in the City. Data reflect 2019 General Fund salaries and benefits for the following positions: Administrative Services Director, Library Services Director, Community Services Director, and Police Chief. General Fund portion of Administrative Services Director salary is split between Human Resources and Finance, and therefore the amount shown for Human Resources includes half of the General Fund portion of the Administrative Services Director salary. The Administrative Services Director position was eliminated in FY 2020/21, though this change does not effect the service cost estimates presented in this table because the table removes the cost associated with this position.

(b) Reflects General Fund expenditures for Fixed Assets, Capital Outlay, and Utilities, as well as all Special Projects expenditures net of vehicle replacement internal service fund costs. Costs included in this column are not anticipated to increase with new development.

(c) Some expenditures are directly recovered through charges for services, license fees, and permit fees. Revenues from these sources offset variable expenditures in each department.

Sources: City of Menlo Park; California State Controller; BAE, 2020.

As shown in Table 18, the City's net variable costs for the impacted departments currently total an estimated \$814.62 annually per member of the service population. This means that the City would need to add \$814.62 to its annual budget for each new member of the service population (i.e., \$814.62 per resident and \$271.54 per worker) to maintain current levels of service provided by these departments.

Table 18 applies the current net variable costs per member of the service population to the service population associated with the proposed project to estimate the General Fund expenditure impacts associated with the proposed project. The projected expenditures account for increases in ongoing operating costs (e.g., salaries), but do not account for any one-time capital improvements that would be necessary to serve the project. As shown, the proposed project would increase the City's total annual General Fund expenditures by

approximately \$715,000, or 1.0 percent of the total FY 2019-20 Adopted Budget General Fund operating budget. Police Department expenses account for the largest share of this increase (47 percent). The expenditures shown for each department below reflect the City's current budgeting priorities as reflected in the City's budget and could shift between departments over time if the City modifies its budgeting priorities.

Table 18: City of Menlo Park General Fund Expenditure Impacts from the Project

| Department | General Fund Expenditures Per Service Population (a) | Menlo Uptown General Fund Impacts | |
|---------------------------------|---|--|-------------------|
| | | Total (b) | % of Total |
| Human Resources | \$37.85 | \$33,224 | 4.6% |
| Library and Community Services | \$167.47 | \$146,981 | 20.6% |
| Police | \$386.45 | \$339,171 | 47.4% |
| Public Works | \$222.85 | \$195,590 | 27.4% |
| Total Dept. Expenditures | \$814.62 | \$714,966 | 100.0% |

| Assumptions | |
|-------------------------------------|-----|
| Service Population from Project (c) | 878 |

Notes:

- (a) Based on the citywide service population shown in Table 2.
 - (b) Equal to net variable General Fund operating expenditures per service population multiplied by the new service population associated with the proposed Project.
 - (c) Net change in service population from the Project as shown in Table 1.
- Sources: City of Menlo Park Adopted Budget, FY 2019-20; BAE, 2020.

Summary of Net Fiscal Impact to the City of Menlo Park General Fund

Table 19 summarizes the annual recurring net General Fund fiscal impact of the proposed project at full build out and occupancy in constant 2020 dollars. The proposed project would increase the City's annual General Fund revenues by approximately \$467,600 and increase the City's annual General Fund expenditures by approximately \$715,000, resulting in a net negative fiscal impact of approximately \$247,400 per year once the project is complete. This net impact is equal to approximately 0.35 percent of the City's total 2019/20 Fiscal Year Adopted General Fund budget. The fiscal impacts shown in the table below reflect the impacts of the proposed project itself, irrespective of other changes in the City's population, workforce, property tax base, and other factors that could impact the City's budget. The project will not occur in isolation, and therefore other projects that have a net positive fiscal impact on the City, as well as other factors that affect the City budget, could potentially counterbalance the impacts of the project.

Table 19: Annual Net Fiscal Impact to the City of Menlo Park General Fund

| | Menlo Uptown Project |
|---|---------------------------------|
| Total Net Change in Revenues | \$467,593 |
| Property Tax | \$274,224 |
| ILVLF | \$74,479 |
| Sales Tax | \$55,933 |
| Franchise Fees and Fines | \$55,804 |
| Utility Users Tax | \$9,848 |
| Business License Tax | (\$2,695) |
| Total Net Change in Expenditures | (\$714,966) |
| Human Resources | (\$33,224) |
| Library and Community Services | (\$146,981) |
| Police | (\$339,171) |
| Public Works | (\$195,590) |
| Net Fiscal Impact | (\$247,373) |

Note: Figures presented in 2020 dollars.
Source: BAE, 2020.

Total 10-Year Impact

The estimates in Table 19 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 20 provides a long-term view of the potential net fiscal impact to the City's General Fund of the proposed project over a 10-year timeframe. The table presents revenues and expenditures on a year-by-year basis, adjusted for projected increases in revenues and costs in each year, over a 10-year period beginning in year 2021. Consistent with standard City Finance Department budgeting practices, the analysis escalates most revenues and expenditures at a rate of three percent per year. The one exception is property tax revenues which, the analysis inflates at a rate of two percent per year, which is the maximum allowed by the Proposition 13 limit on annual increases in tax assessments. As shown, the proposed project would generate an annual fiscal surplus in years 2021 and 2020 during the construction period. Starting in 2023, the analysis projects a negative net fiscal impact as the service population increases. The deficit would increase throughout the period to approximately \$375,900 (in nominal dollars) in year 2030. The projected increase in the negative net fiscal impact over time is due to the two percent limit on property taxes, the primary source of revenue from the proposed project, which would not keep pace with the projected increase in expenses during this period.

While this type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time, it should be understood that these long-term estimates are subject to uncertainty and are sensitive to changes in inflation and other factors. Perhaps most importantly, the property tax and property tax ILVLF revenues shown in Table 20 are based on an assumption that the same entity would retain ownership of the multifamily portion of the proposed project following the initial site acquisition, through completion of construction and the end of the ten-year period shown below. In addition, these figures are

based on an assumption that none of the initial buyers of the townhouse units sell these units within the ten-year timeframe. As a result, all property tax and property tax ILVLF revenues would increase by two percent per year following construction in accordance with Proposition 13. If ownership of any portion of the project is transferred to a different entity during this period, that transfer would trigger a reassessment of that portion of the project based on market value, which would likely increase the property tax and property tax ILVLF to a greater extent than shown in the table below.

Table 20: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2021-2040

| Menlo Uptown Project | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Net Change in Revenues | \$32,400 | \$32,700 | \$500,000 | \$511,300 | \$522,800 | \$534,700 | \$546,800 | \$559,300 | \$571,800 | \$584,900 |
| Property Tax | \$44,500 | \$45,300 | \$291,000 | \$296,800 | \$302,800 | \$308,800 | \$315,000 | \$321,300 | \$327,700 | \$334,300 |
| ILVLF | \$12,100 | \$12,300 | \$79,000 | \$80,600 | \$82,200 | \$83,900 | \$85,600 | \$87,300 | \$89,000 | \$90,800 |
| Sales Tax | (\$6,600) | (\$6,800) | \$61,100 | \$63,000 | \$64,800 | \$66,800 | \$68,800 | \$70,900 | \$73,000 | \$75,200 |
| Franchise Fees and Fines | (\$4,800) | (\$5,000) | \$61,000 | \$62,800 | \$64,700 | \$66,600 | \$68,600 | \$70,700 | \$72,800 | \$75,000 |
| Utility Users Tax | (\$4,700) | (\$4,800) | \$10,800 | \$11,100 | \$11,400 | \$11,800 | \$12,100 | \$12,500 | \$12,800 | \$13,200 |
| Business License Tax | (\$8,100) | (\$8,300) | (\$2,900) | (\$3,000) | (\$3,100) | (\$3,200) | (\$3,300) | (\$3,400) | (\$3,500) | (\$3,600) |
| Total Net Change in Expenditures | \$61,800 | \$63,700 | (\$781,200) | (\$804,600) | (\$828,800) | (\$853,700) | (\$879,400) | (\$905,800) | (\$932,800) | (\$960,800) |
| Human Resources | \$2,900 | \$3,000 | (\$36,300) | (\$37,400) | (\$38,500) | (\$39,700) | (\$40,900) | (\$42,100) | (\$43,300) | (\$44,600) |
| Library and Community Services | \$12,700 | \$13,100 | (\$160,600) | (\$165,400) | (\$170,400) | (\$175,500) | (\$180,800) | (\$186,200) | (\$191,800) | (\$197,500) |
| Police | \$29,300 | \$30,200 | (\$370,600) | (\$381,700) | (\$393,200) | (\$405,000) | (\$417,100) | (\$429,700) | (\$442,500) | (\$455,800) |
| Public Works | \$16,900 | \$17,400 | (\$213,700) | (\$220,100) | (\$226,700) | (\$233,500) | (\$240,600) | (\$247,800) | (\$255,200) | (\$262,900) |
| Net Fiscal Impact | \$94,200 | \$96,400 | (\$281,200) | (\$293,300) | (\$306,000) | (\$319,000) | (\$332,600) | (\$346,500) | (\$361,000) | (\$375,900) |

Note: Figures have been inflated based on the following rates:

- Property Tax Inflation Rate: 2%
- Other Revenue Inflation Rate: 3%
- Expenditure Inflation Rate: 3%

All values shown in nominal dollars (i.e., not adjusted to 2020 dollars).

Source: BAE, 2020.

Net Present Value Calculation of Net Fiscal Impact

The Net Present Value (NPV) calculation is a financial method for determining what a stream of cash flows would be worth measured in today’s dollars. In other words, it identifies an up-front lump sum dollar amount that is equivalent to a series of cash flows occurring over a number of years in the future. It accounts for the time value of money by discounting the flow of future revenues and expenditures each year based on a selected discount rate. This analysis uses a four percent nominal discount rate to calculate the NPV of the net fiscal impacts from the proposed project. The four percent nominal discount rate reflects an expectation that long-term investments of an up-front lump sum dollar amount would generate a return to the City at a rate that is slightly higher than the typical long-term rate of inflation.

Table 21 shows the cumulative total net fiscal impacts from the proposed project for the 10-year period from 2021 to 2030 and the resulting NPV of these values. As shown, the analysis projects a cumulative 10-year net fiscal impact of the proposed project totaling \$2.4 million. Based on a four percent discount rate, the resulting NPV would be negative \$1.8 million. It should be noted that the figures below would be subject to variation based on the same factors that would affect the figures shown in Table 20 above, including rates of increases in revenues and expenditures as well as impacts from any property sale that could occur during the ten-year period.

Table 21: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts from Project, 2021-2030

| Menlo Uptown Project | Total 10-Year Net Impact, Nominal Dollars | Net Present Value of Total 10-Year Net Impact, Nominal Dollars (a) |
|-----------------------------|--|---|
| Revenues | \$4,396,700 | \$3,416,306 |
| Expenditures | (\$6,821,600) | (\$5,254,433) |
| Net Fiscal Impact | (\$2,424,900) | (\$1,838,127) |

Note:

(a) Nominal discount rate used for analysis: 4%

Source: BAE, 2020.

SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

This section of the report provides analysis and findings related to the fiscal impact that the proposed project would have on the school districts that serve the project site and the Menlo Park Fire Protection District. Analysis and findings related to the fiscal impact that the proposed project would have on additional special districts is provided in Appendix A.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran’s hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with the neighboring departments, including the cities of Palo Alto, Redwood City, Fremont, and the Woodside Fire District, to provide automatic aid. According to population and employment figures from Esri Business Analyst, the MPFPD serves approximately 87,886 residents and 39,992 employees, with a service population of 101,217.³

The District operates three fire stations in Menlo Park, two fire stations in unincorporated San Mateo County, one station in Atherton, and one station in East Palo Alto. Each of the seven fire stations is equipped with a heavy fire engine and is continuously staffed by three crew members. Two stations—Station 2 in East Palo Alto and Station 6 in downtown Menlo Park—were recently reconstructed. Station 77 is located at 1467 Chilco Street in the M-2 Area of Menlo Park. The District plans to rebuild Stations 4 and 1 within the next decade, though District leadership reports that plans are currently on hold due to the impact of the COVID-19 pandemic. Station 1 is located on Middlefield Road in Menlo Park, while Station 4 is located outside of the City limits in the unincorporated community of West Menlo Park.

Revenue Impacts from the Project

After accounting for the ERAF shift, the MPFPD receives approximately 11.8 percent of the 1.0 percent base property tax collected in the TRA in which the proposed project is located. Based on the estimated increase in property values that would be generated by the proposed project, the MPFPD would receive \$382,300 in additional property taxes annually after buildout of the project.

Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental transfers, current service charges, and use of money and property. MPFPD’s FY 2019-20 Adopted Budget projected \$2.1 million in revenues averaging \$20.50 per member of the service population. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and are assumed to be the

³ Service population is defined as all residents plus one third of all employees.

only revenue source other than property tax that would be affected by new development. Based on the estimated increases in service population, it is expected that additional MPFPD revenues from licenses, permits, and service charges would total approximately \$18,000 per year from the proposed project.

Expenditure Impacts from the Project

This study estimates the costs that the proposed project will generate for the MPFPD on a per service population basis. Unlike the analysis of City expenditures presented above, the analysis of the MPFPD included all MPFPD General Fund expenditures in the variable cost estimate, including executive compensation, which may overestimate the potential cost impacts for the MPFPD. This approach provides a relatively conservative assessment to avoid underestimating potential impacts on the District. The MPFPD budget for the 2019-2020 fiscal year includes \$57.6 million in expenditures from its General Fund, at an average rate of \$569 per member of the service population, as shown in Table 22. Assuming that costs increase in accordance with service population, the proposed project would generate an estimated \$499,200 in annual costs to the District.

Net Fiscal Impact from the Project

Based on the revenue and expenditure estimates shown in Table 22, the proposed project would have a modest negative net fiscal impact on the MPFPD. The annual negative net fiscal impact associated with the proposed project is estimated to total \$98,800, which amounts to approximately 0.2 percent of MPFPD's FY 2019-20 General Fund operating budget. As with the analysis of the fiscal impacts to the City, the fiscal impacts shown in the table below reflect the impacts of the proposed project itself, irrespective of other changes in the District that could potentially counterbalance the impacts of the project.

For illustrative purposes, this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park had adopted the impact fee proposed by the MPFPD before the application for the proposed project had been deemed complete. If the City had adopted this fee before the application for the project was deemed complete, the proposed project would generate approximately \$265,000 in one-time impact fee revenue to the District (approximately \$316,000 from the new residential units less a credit totaling \$51,000 based on the net decrease in non-residential space on the project site). However, it should be noted that this fee will not apply to the proposed project. As shown on the table below and noted above, the proposed project will have an annual negative \$98,800 impact.

Table 22: Projected Net Fiscal Impact to Menlo Park Fire Protection District

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Property Tax Revenues | \$382,323 |
| Net Change in License, Permit, and Service Charge Revenues | \$17,989 |
| Less: Net Change in Projected Expenditures | (\$499,155) |
| Projected Net Fiscal Impact to MPFPD | (\$98,843) |
| <hr/> Assumptions | |
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| Project Net Change in Service Population | 878 |
| | |
| MPFPD Service Population, 2019 | 101,217 |
| | |
| MPFPD Share of Base 1% Property Tax Revenue (a) | 11.8% |
| License and Permit Revenues, FY 19-20 Adopted Budget | \$1,223,046 |
| Current Service Charge Revenues, FY 19-20 Adopted Budget | \$851,530 |
| Licenses, Permits, and Service Charges per Service Population | \$20.50 |
| | |
| General Fund Expenditures, FY 2019-20 Adopted Budget | \$57,564,946 |
| Expenditures per Service Population | \$568.73 |

Notes:

(a) This is the MPFPD's share of the base 1.0 percent property tax in the TRA where the Project site is located, after accounting for the reduction in property tax revenues to fund ERAF. This figure does not account for excess ERAF revenues that the County refunds to the District when its ERAF balance exceeds K-14 educational funding needs. Many taxing entities do not consider excess ERAF to be a reliable revenue source due to its volatility, difficulty to predict, and likelihood of being eliminated by State action in coming years. Not including excess ERAF when determining property tax share results in a slightly lower, more conservative property tax revenue estimate.

Sources: Menlo Park Fire Protection District; San Mateo County Controller; Esri Business Analyst; BAE, 2020.

School Districts Serving the Project Site

In addition to evaluation of the fiscal impacts on the City's General Fund departments, this study also evaluates the fiscal impacts that the proposed project would have on the school districts that serve the project site. Elementary and middle school students that live in the project would be assigned to the Ravenswood City School District, while high school students that live in the project would be assigned to the Sequoia Union High School District. In general, potential impacts that can arise from growth in households in these districts can include additional costs of instruction for new students, which are typically wholly or partially offset by property tax revenues or State funding. In addition, growth in households could lead to a need for additional facilities to accommodate more students. This analysis focuses on ongoing operating costs associated with providing instruction for new students, though some information regarding potential new facilities needs is also summarized below.

In addition to the proposed project, there are a range of other demographic and socioeconomic factors that are also affecting near- and long-term school district enrollment. Thus, the findings on school district impacts in this study should be treated as indicative of the potential magnitude and types of impacts from the proposed project, but not as an actual projection of the future fiscal and facility impacts that will be experienced by the school districts that serve Menlo Park residents.

California School District Operating Revenues

Under California’s funding system for public school districts, the impact that new development has on instructional operating costs depends in part on whether a district is a “Basic Aid” district. In California, most public school districts are not Basic Aid districts, meaning that local property taxes are not sufficient to meet the minimum funding requirement for the district based on the statewide Local Control Funding Formula (LCFF). Therefore, in non-Basic Aid districts, local property taxes are supplemented with State funds to meet required funding levels. Within non-Basic Aid districts, as local property tax revenues increase (including from new development), State funding is reduced by a commensurate amount such that these districts do not realize increased revenues. Conversely, any increase in the gap between the minimum funding requirement and property tax revenues, due to either increased enrollment or reduced property tax revenue, is met with a commensurate increase in State aid.

By comparison, if local property taxes are sufficient to exceed the funding requirement established by the State LCFF, a district becomes a “Basic Aid” district and receives only minimal State funding. Within Basic Aid districts, as assessed property values increase, the district retains any additional property tax revenues. While this can support higher levels of student spending in districts with a strong property tax base, it also means that property taxes from new development are the primary source of funds for additional annual operating costs to educate any new students. Therefore, a district’s Basic Aid or non-Basic Aid status determines whether it can retain new operating revenues as a result of new development that increases the local property tax rolls.

Ravenswood City School District

The Ravenswood City School District is a non-Basic Aid district, meaning that its local revenues are supplemented by State aid to achieve the LCFF minimum funding target. New enrollment from the proposed project would be expected to increase the District’s LCFF funding target and, to the extent new property tax revenues fall short of this increase, the State would contribute additional funds. This analysis assumes the new enrollment from the proposed project would not impact the District’s LCFF funding target on a per-student basis, which would enable the District to preserve per-student spending at FY 2019-20 levels.⁴

⁴ A district’s LCFF funding target is determined by the number and demographic composition of students it serves. The base per-student funding varies by grade level, and districts are entitled to additional funding based on the

According to the District's Facility Fee Justification Study, published in June 2020, the District calculates student generation at a rate of 0.372 students per housing unit. This student generation rate applied to the proposed project results in an estimate of 180 additional students for the District.

The proposed project is unlikely to generate a need for additional Ravenswood City Elementary School District facilities. The District reports that enrollment capacity exceeds actual enrollment by a total of 118 students at the two elementary schools that serve the project site and 103 students at the middle school that serves the project site. The District has experienced decreases in enrollment during recent years, leading the school board to vote in early 2020 to close two elementary schools, and the District's FY 2019-20 Second Interim Budget Report and other District documents report that the District expects enrollment to continue to decline in coming years. The District's projected enrollment does not currently exceed the District's capacity, indicating that the District has the physical capacity to accommodate growth from the project without the need to construct new facilities. While the District reports a significant need to upgrade existing facilities, these needs are attributable to the age of the existing facilities rather than actual or projected increases in enrollment and would not be impacted by the proposed project.

Revenue Impacts from the Project. Due to the District's non-Basic Aid status, its unrestricted revenue level is effectively determined by the LCFF and funded up to that target level through a combination of local property taxes and State aid. The proposed project would generate property tax revenues toward that target. In the TRA where the project site is located, the District's share of the base one-percent property tax averages 33 percent. Based on this percentage and the estimated increase in assessed values shown in Table 9, the increase in annual property tax revenues to the District as a result of the proposed project would be approximately \$1.1 million.

The proposed project would also generate additional State aid for the District insofar as the expenditures the project would create for the District would exceed the property tax revenues it delivers. State aid will be evaluated in the Net Fiscal Impacts subsection, below.

Expenditure Impacts from the Project. The District budget for FY 2019-20 includes \$22.5 million in total unrestricted General Fund expenditures, at a rate of \$10,700 per student. As noted above, this analysis assumes the District's LCFF target entitlement will support the same level of unrestricted per-student spending when the proposed project is built out and its

percentage of their students who are English learners, low-income, and/or foster youth. Thus, changes to a district's demographic profile may alter its overall LCFF funding target per student. This analysis assumes the new enrollment from the Project would have no significant impact on the District's demographic profile as it relates to determining LCFF funding targets.

students enroll in District schools. Given the proposed project’s estimated student generation, the project would be expected to produce an estimated \$1.9 million in additional expenditures for the District.

Net Fiscal Impact from the Project. The proposed project would result in annual expenditures to the Ravenswood City School District that exceed the increase in property tax revenues by \$855,600. Because the District is non-Basic Aid, the State will allocate additional aid to preserve per-student funding at the LCFF target, thus eliminating this fiscal deficit to the District.

As shown in Table 16 above, the project would also generate one-time impact fees to the District totaling an estimated \$806,200.

Table 23: Projected Fiscal Impacts of the Project on the Ravenswood City School District

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Annual Property Tax Revenues | \$1,059,986 |
| Net Change in Annual State Revenues from ADA | \$855,584 |
| Less: Net Change in Projected Annual Expenditures from Enrollment | (\$1,915,570) |
| Projected Net Fiscal Impact to Redwood City ESD (Annual) | \$0 |
| One-Time Impact Fee Revenue | \$806,232 |
| Assumptions | |
| Ravenswood City ESD Student Generation per Unit (a) | 0.372 |
| Project Net Change in Multifamily Residential Units | 483 |
| Project Net Change in Enrolled Students | 180 |
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| Ravenswood City ESD Share of Base 1% Property Tax Revenue (b) | 32.7% |
| Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget | \$22,537,875 |
| Enrolled Students, FY 2019-20 Adopted Budget | 2,114 |
| Unrestricted Expenditures per Enrolled Student | \$10,661 |

Notes:

(a) This student generation rate was sourced from a facility fee justification study prepared by School Facility Consultants for the District in June 2020.

(b) This is Ravenswood City ESD’s share of the base 1.0 percent property tax in the TRA where the Project site is located.

Sources: Ravenswood City Elementary School District; San Mateo County Controller; School Facility Consultants, 2020; BAE, 2020.

Sequoia Union High School District

Unlike the Ravenswood City School District, the Sequoia Union High School District is a Basic Aid district and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources.

The Sequoia Union High School District has not established its own student generation rate, and instead uses the statewide figure of 0.2 students per dwelling unit for high school districts established by the State's School Facility Program. This rate is often considered to overstate high school student generation from multifamily dwellings, and therefore could overestimate the number of high school students that the proposed project would generate. Using the 0.2 student per unit ratio results in an estimated increase of 97 students from the proposed project that will attend school at the Sequoia Union High School District. The estimated ADA associated with this new enrollment is 84, based on the District's budgeted attendance rate of 87 percent.

The Sequoia Union High School District reports concerns regarding the capacity for District facilities to accommodate the cumulative growth from potential future residential developments in the District, including the proposed project, though projected future decreases in District enrollment may offset existing capacity constraints prior to the completion of the project. The schools that serve the project site are the newly-completed TIDE Academy and Menlo-Atherton High School, which have a total capacity of 400 and 2,600 students, respectively. As of the 2019-2020 school year, enrollment in these schools totaled 103 and 2,433, respectively, though the enrollment at TIDE Academy reflected the school's first year of operations and is therefore not necessarily indicative of longer-term capacity at the school site.⁵ These figures suggest that the District may currently have capacity to accommodate the estimated enrollment growth attributable to the proposed project. In addition, the District's FY 2020-21 Budget Plan shows projected decreases in District enrollment, with a small decrease starting in 2020 and more significant decreases in following years. Overall, the enrollment projections show a decrease of 1,165 students between 2019 and 2025, which could create the capacity necessary to accommodate growth from the proposed project as well as other future residential developments in the District, though this capacity will be spread across all District schools rather than just the two that serve the project site.

Revenue Impacts from the Project. Because the Redwood City School District is a Basic Aid district, the District gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources. In the TRA where the project site is located, the District's share of the base one percent property tax averages 13 percent. Based on this percentage and the estimated increase in assessed values shown in Table 9, the increase in

⁵ Across all schools in the Sequoia Union High School District, enrollment totaled 9,428.

annual property tax revenues to the District as a result of the proposed project is estimated to total \$425,600.

In addition to funding from property tax revenues, the Sequoia Union High School District would receive a small amount of State funding per student on an annual basis. These sources include the minimum State Educational Protection Account entitlement, State Lottery Funds, and the State Mandated Costs Block Grant, all of which are allocated based on ADA. In total revenues from this source would total approximately \$34,700 from the project, assuming the enrollment and ADA numbers estimated above.

Expenditure Impacts from the Project. As shown in Table 23, the District budget for FY 2019-20 includes \$123 million in total unrestricted General Fund expenditures, at a rate of \$13,000 per student. Applying this figure to the increase in students attributable to the proposed project yields an estimate of approximately \$1.3 million in additional Sequoia Union High School District expenditures.

Net Fiscal Impact from the Project. After accounting for the projected increase in annual revenues and the projected increase in annual educational expenditures, the proposed project would result in a net deficit to the Sequoia Union High School District totaling \$797,900 annually. This is equivalent to approximately 0.6 percent of the District's FY 2019-20 unrestricted General Fund budget. This fiscal deficit is due to the District's high per-student spending rates, which would require extremely high residential property values to generate the property tax revenues necessary to keep pace with current spending levels. To the extent that the District experiences an increase in property tax revenues that does not lead to additional student enrollment, including from additional non-residential development projects, property tax revenues from this increase in assessed value could help to offset the fiscal impact associated with the proposed project. To the extent that the District experiences declining enrollment, the decline in enrollment could also offset the fiscal impact associated with the project. As with the analysis of the fiscal impacts to the City, the fiscal impacts shown in the table below reflect the impacts of the proposed project itself, irrespective of other changes in the District that could potentially counterbalance the impacts of the project.

As shown in Table 16 above, the project would also generate one-time impact fees to the District totaling an estimated \$909,400.

Table 24: Projected Fiscal Impacts of the Project to the Sequoia Union High School District

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Annual Property Tax Revenues | \$425,631 |
| Net Change in Annual State Revenues from ADA | \$34,687 |
| Less: Net Change in Projected Annual Expenditures from Enrollment | (\$1,258,244) |
| Projected Net Fiscal Impact to Sequoia Union HSD (Annual) | (\$797,926) |
| One-Time Impact Fee Revenue | \$909,381 |
| Assumptions | |
| Sequoia Union HSD Student Generation per Unit (a) | 0.20 |
| Project Net Change in Multifamily Residential Units | 483 |
| Project Net Change in Enrolled Students | 97 |
| Estimated Average Daily Attendance (ADA) per Enrolled Student (b) | 0.87 |
| Project Net Change in ADA | 84 |
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| Sequoia Union HSD Share of Base 1% Property Tax Revenue (c) | 13.1% |
| Unrestricted Revenues per ADA, FY 2019-20 Adopted Budget | \$413 |
| Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d) | \$0 |
| Unrestricted State Educational Protection Account Funds per ADA | \$200 |
| Unrestricted State Lottery Funds per ADA | \$151 |
| Unrestricted State Mandated Costs Block Grant per ADA | \$62 |
| Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget | \$122,802,512 |
| Enrolled Students, FY 2019-20 Adopted Budget | 9,428 |
| ADA, FY 2019-20 Adopted Budget | 8,205 |
| Unrestricted Expenditures per Enrolled Student | \$13,025 |

Notes:

- (a) This student generation rate was reported by the District Associate Superintendent of Administrative Services and is derived from the statewide yield average calculated by the State Office of Public School Construction.
- (b) This figure was calculated by dividing the District's FY 2019-20 projected ADA by its projected enrollment.
- (c) This is Sequoia Union HSD's share of the base 1.0 percent property tax in the TRA where the Project site is located.
- (d) Sequoia Union HSD is a "basic aid" district. Basic aid districts, also known as "community-funded" districts, collect enough property tax revenues to meet their state-determined LCFF minimum funding targets without state support. Though basic aid districts are entitled to other state funds tied to ADA (listed separately) and a minimum level of guaranteed state support (not tied to growth), they will not receive LCFF state aid to offset the costs generated by additional ADA. For that reason, BAE assumes zero state LCFF funds per ADA.

Sources: Sequoia Union High School District; San Mateo County Controller; BAE, 2020.

APPENDIX A: FISCAL IMPACTS ON OTHER SPECIAL DISTRICTS

In addition to impacts to the fire and school districts, the proposed project would have fiscal impacts on several other special districts, as described below.

Midpeninsula Regional Open Space District

The Midpeninsula Regional Open Space District preserves open space and provides opportunities for low-intensity recreation and environmental education. The District covers an area of 550 square miles and includes 17 cities, including the City of Menlo Park. To date, the District has preserved nearly 64,000 acres of public land and created 26 open space preserves, of which 24 are open to the public year-round.

Revenue Impacts from the Project

Property taxes are the primary source of revenue to the District, accounting for over 90 percent of operating revenues. The District's other sources of revenue, such as grants, interest income, and rental income, are comparatively small and not projected to be impacted by the proposed project. The proposed project at buildout is projected to generate approximately \$50,000 in property tax revenues for the District annually.

Expenditure Impacts from the Project

According to District staff, the District does not maintain a per-capita service standard for the acreage of land preserved and is therefore unlikely to increase its land acquisition efforts as a direct result of the proposed project. In addition, the District's debt service expenditures would not increase due to the project. As a result, salaries, benefits, services, and supplies, which total approximately \$37.0 million in the FY 2019-20 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to \$40 per member of the service population. The new service population from the proposed project would thus be expected to produce \$35,100 in additional annual expenditures for the District.

Net Fiscal Impact from the Project

As detailed in Table A-1, the proposed project is expected to produce a positive net fiscal impact of \$14,900 per year to the District.

Table A-1: Projected Net Fiscal Impact to Midpeninsula Regional Open Space District

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Property Tax Revenues | \$50,048 |
| Less: Net Change in Projected Expenditures | (\$35,128) |
| Projected Net Fiscal Impact to Open Space District | \$14,919 |

Assumptions

| | |
|---|---------------|
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| Project Net Change in Service Population | 878 |
| Open Space District Service Population, 2019 | 924,530 |
| Open Space District Share of Base 1% Property Tax Revenue (a) | 1.5% |
| General Fund Expenditures, FY 2019-20 Adopted Budget (b) | \$37,003,848 |
| Expenditures per Service Population | \$40.02 |

Notes:

(a) This is the Open Space District's share of the base 1.0 percent property tax in the TRA where the Project site is located. Open Space District property tax revenues are not reduced to fund ERAF.

(b) Includes salaries, benefits, services, and supplies only.

Sources: Midpeninsula Regional Open Space District; San Mateo County Controller; Esri Business Analyst; BAE, 2020.

San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. The District currently has 16,321 Full Time Equivalent Students (FTES)⁶, which amounts to approximately 0.02 FTES per member of the District's total service population. Assuming the same the proportion of new service population members enrolls in District community colleges, the proposed project would result in 16 additional students.

Revenue Impacts from the Project

SMCCCD became a Basic Aid district beginning in FY 2012-2013. Similar to Basic Aid elementary and high school districts, Basic Aid community college districts collect local property taxes and student enrollment fees in excess of their State-determined funding target and, therefore, do not receive a general apportionment of funds from the State. State funding is mainly limited to specific small entitlements, several of which accrue to the District's unrestricted General Fund, and categorical funds, which do not contribute to the unrestricted

⁶ Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTES is equal to 15 course credits.

General Fund. As a result, most of the District's unrestricted General Fund revenues are derived from local property taxes and student enrollment fees.

The proposed project at buildout is projected to generate a \$184,800 increase in annual property tax revenue to the District, as detailed in Table A-2. For FY 2019-20, SMCCCD's student enrollment fees are projected to total \$8.5 million, or approximately \$519 per FTES.⁷ Based on this figure and the proposed project's estimated student generation, described above, the project at buildout is projected to result in \$8,400 in additional student fees from new enrollment. The new enrollment would also increase funding from three state entitlements, which are unrestricted and allocated on a per-FTES basis. These are the Educational Protection Account funds (\$100 per FTES), unrestricted State Lottery funds (\$153 per FTES), and State Mandated Cost Block Grant funds (\$30 per FTES). The proposed project at buildout is projected to generate an additional \$4,600 from these sources.

Expenditure Impacts from the Project

For FY 2019-20, the District budgeted approximately \$204.3 million in unrestricted General Fund expenditures, or \$12,500 per FTES. Assuming the District maintains this per-FTES spending, the new enrollment associated with the proposed project would generate \$202,900 in additional expenditures for the District.

Net Fiscal Impact from the Project

As reported in Table A-2, the proposed project would result in a very small negative net fiscal impact to SMCCCD, totaling \$5,100 per year. This amounts to less than one-hundredth of one percent of the District's FY 2019-20 General Fund expenditures.

⁷ The District reports a reduction in student fee revenues in recent years due to fee waivers offered through the Promise Scholars Program. This program offers, among other benefits, full tuition and fee waivers for the first and second year of coursework for qualifying students. The State provides a portion of the funding to support the Promise Scholars Program, but these funds do not accrue to the District's unrestricted General Fund.

Table A-2: Projected Net Fiscal Impact to San Mateo County Community College District

| | Menlo Uptown Project |
|--|---------------------------------|
| Net Change in Property Tax Revenues | \$184,830 |
| Net Change in Student Fee Revenues | \$8,410 |
| Net Change in State Revenues from FTES | \$4,590 |
| Less: Net Change in Projected Expenditures | (\$202,936) |
| Projected Net Fiscal Impact to SMCCCD | (\$5,106) |
| Assumptions | |
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| Project Net Change in Service Population | 878 |
| SMCCCD Service Population, 2019 | 883,625 |
| SMCCCD Full-Time Equivalent Students (FTES), FY 2019-20 Adopted Budget | 16,321 |
| FTES per Service Population Member | 0.02 |
| Project Net Change in Full-Time Equivalent Students (FTES) | 16 |
| SMCCCD Share of Base 1% Property Tax Revenue (a) | 5.7% |
| SMCCCD Student Fee Revenues, FY 2019-20 Adopted Budget | \$8,466,977 |
| Student Fee Revenues per FTES | \$519 |
| Unrestricted State Revenues per FTES, FY 2019-20 Adopted Budget | \$283 |
| Unrestricted State Educational Protection Account Funds per FTES | \$100 |
| Unrestricted State Lottery Funds per FTES | \$153 |
| Unrestricted State Mandated Costs Block Grant per FTES | \$30 |
| Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget (b) | \$204,314,183 |
| Unrestricted Expenditures per FTES | \$12,518 |

Notes:

(a) This is the San Mateo County CCD's share of the base 1.0 percent property tax in the TRA where the Project site is located.

(b) This figure omits capital outlay expenditures as they are not impacted by growth in FTES.

Sources: San Mateo County Community College District; San Mateo County County Controller; Esri Business Analyst; BAE, 2020.

San Mateo County Office of Education

The San Mateo County Office of Education (SMCOE) provides support for public schools throughout the County through instructional services, fiscal and operational services, and student services. The Office's instructional services include teacher support, educational technology, and professional development. The fiscal services division assists school districts with accounting, budgeting, payroll functions, and maintaining compliance. SMCOE also provides direct educational services to students with severe disabilities, incarcerated students through juvenile court schools, and at-risk students through community schools.

Revenue Impacts from the Project

Like K-12 school districts, SMCOE is funded through a combination of local property taxes and State funds, as determined by the LCFF. SMCOE is a Basic Aid entity, meaning that its

property tax revenues exceed its LCFF funding entitlement. The State provides a fixed minimum level of funding, as well as some minor unrestricted and categorical funds, but does not adjust its funding to offset changes in SMCOE's revenues or expenditures. Consequently, SMCOE could potentially experience fiscal impacts from new development, including the proposed project.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the proposed project. Though SMCOE receives several minor unrestricted state funds, such as lottery and Educational Protection Account funds, these funds are tied to ADA for SMCOE-operated schools only. The proposed project is unlikely to generate new enrollment for SMCOE-operated schools, as indicated by the very low enrollment these schools constitute as a percentage of countywide enrollment.⁸

SMCOE receives 3.0 percent of the base one-percent property tax in the TRA where the proposed project is located. The proposed project at buildout is estimated to result in an assessed value increase of approximately \$324 million, which would generate \$96,200 in annual property tax revenues to SMCOE.

Expenditure Impacts from the Project

To evaluate the proposed project's potential impact on SMCOE operations and expenditures, it is useful to distinguish between SMCOE's two service populations. One service population consists of the students enrolled in SMCOE-operated schools, to whom SMCOE provides direct educational services. As noted above, the proposed project is unlikely to produce any change in this particular service population. The other service population is all enrolled K-12 public school students in San Mateo County. This population receives indirect services through the administrative support, training, and other functions SMCOE provides to school districts in the County. The proposed project would be expected to generate 276 additional K-12 students—180 in Ravenswood City ESD and 97 in Sequoia Union HSD, as tabulated in their respective fiscal impact models—which would be counted toward SMCOE's broader service population.

In FY 2019-20, SMCOE budgeted \$41.8 million in unrestricted expenditures to service its central office operations, omitting capital outlay and transfers. This figure does not include unrestricted expenditures related to operating court and community schools. These expenditures amount to \$447 per enrolled student in San Mateo County. Given the project's estimated student generation, the proposed project would be expected to produce approximately \$123,500 in additional costs to SMCOE.

⁸ SMCOE-operated schools enroll about 300, or 0.32 percent, of San Mateo County's approximately 93,500 students, according to 2019-2020 Census day enrollment data from the California Department of Education. Applying this rate to the Project's estimated student generation yields only 0.37 students.

Net Fiscal Impact from the Project

The proposed project is expected to produce a negative net fiscal impact of \$27,300 to SMCOE, as detailed in Table A-3. This amounts to approximately 0.07 percent of SMCOE's FY 2019-20 unrestricted expenditures.

Table A-3: Projected Net Fiscal Impact to San Mateo County Office of Education

| | Menlo Uptown Project |
|---|---------------------------------|
| Net Change in Property Tax Revenues | \$96,188 |
| Less: Net Change in Projected Expenditures from Enrollment | (\$123,519) |
| Projected Net Fiscal Impact to San Mateo COE | (\$27,331) |
| Assumptions | |
| Project Net Change in Enrolled Students | 276 |
| Project Net Change in Enrolled Students, Ravenswood City ESD (a) | 180 |
| Project Net Change in Enrolled Students, Sequoia Union HSD (b) | 97 |
| Project Net Change in Assessed Value | \$324,029,175 |
| Project Net Change in Base 1% Property Tax Revenue | \$3,240,292 |
| San Mateo COE Share of Base 1% Property Tax Revenue (c) | 3.0% |
| Unrestricted Central Office Expenditures, FY 2019-20 Adopted Budget (d) | \$41,826,786 |
| Service Population (i.e., Enrolled Students Countywide) (e) | 93,554 |
| Unrestricted Expenditures per Service Population | \$447 |

Notes:

- (a) Assumes student generation of 0.372 students per Project housing unit. See Ravenswood City ESD fiscal impact table for details.
- (b) Assumes student generation of 0.20 students per Project housing unit. See Sequoia Union HSD fiscal impact table for details.
- (c) This is San Mateo COE's share of the base 1.0 percent property tax in the TRA where the Project site is located.
- (d) Expenditures for "Central Office" functions only, excluding capital outlay and transfers. Figure does not include expenditures related to operating court and community schools or providing direct services to a specific student populations.
- (e) 2019-2020 academic year Census day enrollment for all K-12 public schools, including charter schools, in San Mateo County, as reported by the California Department of Education.

Sources: San Mateo County Office of Education; San Mateo County Controller; California Department of Education; BAE, 2020.